

Message Text

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PAGE 01 STATE 027405
ORIGIN EB-08

INFO OCT-01 EA-10 ISO-00 AGRE-00 AID-05 SP-02 TRSE-00
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TO AMEMBASSY SEOUL IMMEDIATE

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FOR THE AMBASSADOR

E.O. 11652: N/A

TAGS: EAGR, KS

SUBJECT: ROKG REQUEST FOR LONG-TERM AGRICULTURAL COMMODITY
CREDIT AGREEMENT
AGATT PLE SE PASS GSM-HARRISON
REF: (A) 77 SEOUL 10049 (B) SEOUL 10122 (C) SEOUL 478

1. BEGIN BACKGROUND: WE REGARD KOREA AS AN EXTREMELY
IMPORTANT MARKET AND WILL MAKE EVERY EFFORT CONSISTENT WITH
LEGISLATION AND OUR OVERALL INTERNATIONAL AGRICULTURAL
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PAGE 02 STATE 027405

EXPORT POLICY TO RETAIN OUR POSITION IN IT. IT IS NOT,
HOWEVER, THE PRACTICE OF THE UNITED STATES GOVERNMENT TO
ENTER INTO LONG-TERM BINDING AGRICULTURAL COMMODITY AGREE-
MENTS. THE ONLY SUCH AGREEMENT WE HAVE, WHICH IS MORE THAN
AN INDICATION OF INTENTION, IS THE ONE WITH THE SOVIET
UNION. THAT DEPARTURE FROM OUR NORMAL POLICY WAS MADE
NECESSARY BY THE EXTRAORDINARILY DISRUPTIVE EFFECT INTER-

VENTIONS BY THE SOVIETS WERE HAVING IN THIS COUNTRY'S INTERNATIONAL AND DOMESTIC GRAIN MARKETS.

2. WE HAVE, OF COURSE, ENTERED INTO A NUMBER OF AGREEMENTS (OFTEN CALLED "HANDSHAKE AGREEMENTS") WHICH INDICATE OUR CONTINUING INTENTION, SUBJECT TO AVAILABILITIES, OF MAKING AVAILABLE AGRICULTURAL COMMODITIES TO THE OTHER PARTY TO THE AGREEMENT. SUCH AN AGREEMENT USUALLY TAKES THE FORM OF

AN EXCHANGE OF LETTERS. THIS SORT OF AN AGREEMENT IS NOT LEGALLY BINDING, HOWEVER, AND WOULD ONLY MANIFEST OUR INTENTIONS. IT COULD PERHAPS LEAD AN IMPORTING NATION TO A FALSE CONCLUSION REGARDING ITS RIGHT TO ACCESS TO OUR MARKET IN TIMES OF SHORT SUPPLY. WE WOULD PREFER NOT SIGNING SUCH AN AGREEMENT WITH KOREA. WE SUGGEST, THEREFORE, THAT IN YOUR REPLY TO THE DEPUTY PRIME MINISTER, WHICH YOU SHOULD CONVEY IN WHATEVER MANNER YOU THINK BEST, THAT YOU STRESS THE CCC CREDIT (GSM-5) AND PL 480 ASPECTS OF HIS REQUEST (SEE TALKING POINTS BELOW). END BACKGROUND.

3. TALKING POINTS: YOU SHOULD ASSURE HIM THAT THE USG APPRECIATES THE KOREAN GOVERNMENT'S CONCERN REGARDING ENSURING KOREA'S CONTINUED FOOD SECURITY. AS AN ALLY AND AS A MAJOR SUPPLIER OF FOOD TO KOREA, WE SHARE THIS CONCERN. WE CONSIDER KOREA TO BE AN IMPORTANT AND VALUED CUSTOMER AND WE HAVE EVERY DESIRE TO CONTINUE AND EXPAND OUR MUTUALLY LIMITED OFFICIAL USE

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PAGE 03 STATE 027405

ADVANTAGEOUS AGRICULTURAL TRADE.

-- THE USG HAS EVERY INTENTION OF CONTINUING TO MAKE ADEQUATE AMOUNTS OF COMMODITY CREDIT CORPORATION CREDITS AVAILABLE TO KOREA. CCC POLICY AND BUDGET ALLOCATIONS, HOWEVER, ALLOW EXTENSIONS OF CREDIT ON AN ANNUAL BASIS ONLY AND, OF COURSE, PARTICULAR LEVELS OF CCC FINANCING MUST BE DETERMINED ACCORDING TO THE CIRCUMSTANCES PREVAILING AT THE TIME OF A REQUEST. OUR LONG HISTORY OF ANNUAL EXTENSIONS OF SIGNIFICANT AMOUNTS OF CCC CREDITS SHOULD, WE BELIEVE, GIVE THE KOREAN GOVERNMENT REASON TO BELIEVE THAT THIS PRACTICE WILL CONTINUE. KOREA AS A VALUED LONG-TERM CUSTOMER WILL, NATURALLY, ALWAYS RECEIVE SYMPATHETIC CONSIDERATION ON QUESTIONS OF CCC CREDITS.

-- REGARDING TITLE I PL 480 ASSISTANCE, THE U.S., OF COURSE, INTENDS TO FULFILL ITS COMMITMENT TO KOREA UNDER THE KENNEDY UNDERSTANDING. IT IS NOT OUR INTENTION AFTER THE COMPLETION OF THAT COMMITMENT AUTOMATICALLY TO STOP TITLE I ASSISTANCE. WE WILL CONTINUE TO GIVE FULL CONSIDERATION TO REQUESTS FOR TITLE I COMMODITIES FROM THE KOREAN GOVERNMENT. THERE ARE, OF COURSE, BUDGET LIMITATIONS AND LEGAL

REQUIREMENTS, SUCH AS THE NECESSITY OF PROGRAMING 75 PER-CENT OF FOOD AID TO POORER NATIONS (AT PRESENT 550 DOLS. OR LESS PER CAPITA GNP), WHICH MAY RESTRICT PROGRAMING. IN ADDITION, GIVEN KOREA'S RAPID ECONOMIC PROGRESS AND GENERAL FINANCIAL SITUATION AS COMPARED TO OTHER RECIPIENTS OF FOOD AID, IT IS LIKELY THAT THE TERMS UNDER WHICH TITLE I ASSIS-TANCE IS PROVIDED WILL HAVE TO BE HARDENED SIGNIFICANTLY FROM THOSE PREVAILING AT PRESENT. IN RECENT YEARS THE USG HAS NOT MADE LONG-TERM COMMITMENTS UNDER TITLE I. TITLE III FOOD FOR DEVELOPMENT IS THE ONLY PROVISION IN PL 480 UNDER

WHICH LONG-TERM COMMITMENTS ARE BEING GIVEN CONSIDERATION. IT, HOWEVER, APPLIES STRICTLY TO THE POORER NATIONS, AS DEFINED ABOVE, AND THUS CANNOT BE APPLIED TO KOREA.
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PAGE 04 STATE 027405

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